



December 9, 2020

Mr. Zac Jackson  
State Budget Director  
State Budget Agency  
212 Statehouse  
200 W. Washington Street  
Indianapolis, IN 46204

RE: Office of the Auditor of State (AOS) FY 2022 – FY 2023 Biennial Budget Request

Dear Director Jackson:

Please find attached the Auditor of State's budget request for the FY 2022 – FY 2023 biennium. We are requesting the same appropriation as the previously approved biennial appropriation to ensure operations can continue without fail to support the business operations of State of Indiana and its employees. During the pandemic I have reviewed all departmental activities, made adjustments as necessary, and am confident that AOS is operating as lean and frugal as possible without jeopardizing the integrity of the state's ability to pay our employees and our suppliers.

My office has continued to make major improvements to the State's financial and payroll systems and processes since taking office in 2017. I have highlighted a few of the ongoing projects and successes my office has achieved this biennium;

### **Financial Transparency**

- The Auditor of State processes nearly every financial transaction for the State of Indiana. As part of the state's payroll system, we process the biweekly payroll warrants for more than 33,000 active state employees and another 500 on disability.
- We process in excess of 7.5 million payments annually including distribution of funds to counties, school corporations, cities, and towns.
- AOS is statutorily charged to maintain the centralized accounting records of the state, which is accomplished through the maintenance of the state's general ledger.
- The Auditor of State provides daily data to the State Budget Agency and other state agencies and it prepares the state's Comprehensive Annual Financial Report (CAFR).

- Our office received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association.

### **HR/Payroll Modernization**

- Recently, the legislature provided \$20 million to replace an antiquated DOS based payroll system. (25 year old system was no longer supported and required replacement)
- We were able to utilize existing PeopleSoft software and incorporate necessary upgrades to the State's HR system that integrates with the new payroll system to maximize the effectiveness of the implementation.
- We are six months into the upgrade and implementation of the State's payroll and human resources systems (HR/Payroll Modernization) with a potential go-live date in FY 2022.
- This project will include the modernization and transformation of business processes, technology, and services supporting state payroll, which is expected to drive significant tangible and intangible benefits.

### **Statewide Training Initiative**

- AOS has recently partnered with the Indiana Office of Technology (IOT) to create computer based training modules (CBTs) to train the employees who use our financial system to process and audit payments, maintain capital assets, and many other financial functions. These trainings provide consistency and the required competencies to ensure that the data being input into our system is accurate and standardized.
- AOS initiated small group annual training for agency CFOs and their financial and payroll teams. This training allows AOS to relay vital information about how to accurately process finance and payroll and express opportunities for improvement.
- The HR/Payroll Modernization project, once implemented, will require extensive statewide training for all agency payroll personnel and state employees who will now be able to perform some functions via a self-service portal. Currently there is no funding source for this training and I am extensively looking for more ways to cut other expenses in order to fund this necessary training.

### **Technology & Cyber Security Upgrades**

- In order to provide additional security and efficiency I am transitioning my office from running its own, independent IT department and equipment to utilizing IOT and their IT services, network, and equipment.
- Indiana utilizes the PeopleSoft platform for our Enterprise Resource Planning (ERP) and we just recently were able to upgrade our Finance Solution and as noted earlier are implementing the PeopleSoft payroll solution.
- To fully utilize the functionality of the PeopleSoft software we are working with IOT to implement multi-factor authentication (MFA). Once this is implemented (scheduled for second half of 2021) I will be able to eliminate some of my most manual processes.

## Internal Controls

- A cornerstone of my administration has been to develop a robust internal controls department.
- Since 2019, an Internal Controls Department has identified 241 policies and procedures for our office.
- I have undertaken an effort to document processes and implement internal controls to reduce risk and error throughout the agency. With millions of dollars at stake, we must balance the use of technological advances with the human oversight necessary to combat fraud.
- The creation of an Internal Control Department is achieving this goal and providing successors with a roadmap for ongoing, high-quality operations with confidence that checks and balances are in place.

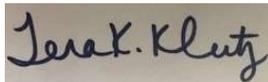
In the past 19 months, we have reassessed the budget and numerous projects the Office is pursuing and have redirected dollars back into the PeopleSoft ERP system and licensing that the State currently owns. This has resulted in advancing efforts with IOT and GMIS to use modules within PeopleSoft for paperless AP procedures. This project creates statewide efficiencies by allowing workflows and attachments in the system and eliminating paper workflows and invoicing. Our Accounts Payable department has also implemented paperless vendor forms and is requiring email addresses for all vendors to eliminate paper ACH notifications.

Additionally, our Payroll Department works with IOT/GMIS and agencies to reduce paper and streamline employee services. We have implemented an electronic process for all benefits changes reducing thousands of paper forms for processing which, in turn, reduces the risk of error. As part of HR/Payroll Modernization, we are on the verge of releasing PeopleSoft employee self-service functionality that will allow employees to receive their W2s online and to change their direct deposit information online.

I appreciate the Budget Committee and this legislature's willingness to support this project with a Capital appropriation during the last biennium. I have evaluated our expenses and assessed our future needs. I believe the request submitted should meet our needs while allowing us to pursue systemic efficiencies throughout the biennium while providing strong customer service to all of our clients.

Thank you for your consideration.

Sincerely,



Tera K. Klutz, CPA  
Auditor of State, Indiana